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REVIEW OF THE EFFICIENCY OF THE ADMINISTRATIVE AND FINANCIAL FUNCTIONING OF THE UNITED NATIONS

Procurement reform

Fourth report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions considered the report of the Secretary-General on procurement reform submitted pursuant to General Assembly resolution 51/231 of 13 June 1997 (A/52/534). During its consideration of the report, the Advisory Committee met with representatives of the Secretary-General, who provided additional information.
2. The Secretary-General's report provides information on the progress achieved since the previous report of 29 November 1997 (A/C.5/51/9).
3. The Advisory Committee recalls that as part of the reform process the existing arrangements were restructured and established as the Procurement and Transportation Division effective 1 January 1996 (ibid., chap. II). The Advisory Committee recalls that at the time of its consideration of that report, the Committee was informed that no changes were envisaged in the foreseeable future in the structure and organization of the Division. The Advisory Committee notes from paragraph 3 of the Secretary-General's report under consideration (A/52/534) that effective July 1997, to reflect more appropriately its procurement responsibilities, the Procurement and Transportation Division was renamed the Procurement Division; a separate service comprising the former Transportation Section, including the Travel and Traffic Units, was established as the Travel and Transportation Service. The Committee requested an explanation of the delineation of duties of the two entities.
4. The Advisory Committee was informed that the newly established Travel and Transportation Service had assumed the same functions as were previously carried



out by the Transportation Section in the former Procurement Division. The Procurement Division had, however, retained overall responsibility for all Headquarters and peacekeeping procurement requirements for various departments and offices (see annex).

5. With regard to integration of procurement activities at United Nations Headquarters as recommended by the Advisory Committee in its previous report and endorsed by the General Assembly in its resolution 51/231, the Advisory Committee notes from paragraph 7 of his report the Secretary-General's decision to consolidate, within the Procurement Division, effective 1 November 1997, the relevant functions of the Contracts and Procurement Office of the former Department for Development Support and Management Services. The Committee was informed, however, that the consolidation had been delayed; the Committee was not able to ascertain the reasons for the delay nor a likely future date for the consolidation. The Committee enquired about the budgetary implications of consolidating the functions and was informed that since the Department for Development Support and Management Services procurement function was financed on an extrabudgetary basis, there would be no impact on the regular budget of its transfer to the Department of Management.

6. The Advisory Committee notes the information with regard to the supplier roster provided in paragraphs 16 to 27 of the Secretary-General's report. From the figures given in paragraph 23 of the report, it appears that the Division is resorting increasingly to competitive bidding and that exceptions to the procedure have decreased. The Advisory Committee welcomes this development. The Committee also notes the information provided in paragraphs 24 and 25 of the report with regard to the treatment of exigency needs and further tightening of the administration of letters of assist in compliance with the recommendations of the Board of Auditors. The Advisory Committee notes that the elaborated list of exigencies as well as the revised guidelines for the administration of letters of assist are expected to be ready by March 1998.

7. In this connection, the Advisory Committee notes from annex II to the Secretary-General's report that a number of issues are targeted for completion during 1998. The Committee believes that while considerable progress has been made in the procurement process, implementation of a number of procedures is still outstanding. It trusts that every effort will be made to adhere to the schedule as indicated in annex II to the report.

8. With regard to the revised procurement manual, the Advisory Committee notes from paragraph 14 of the Secretary-General's report that the manual would take into account the procurement reform policies, procedures and instructions and that some of these would require revisions to the Financial Regulations and Rules of the Organization. In this regard, the Advisory Committee recommends that the Secretariat submit, as early as possible, to the Advisory Committee and to the General Assembly proposals for those regulations which the Secretariat believes would need to be revised or amended.

9. The Advisory Committee points out that on several occasions in the past the Secretariat has indicated that changes in the Financial Regulations and Rules of the United Nations would provide it with the necessary flexibility required to

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operate procurement and other activities more efficiently. That being the case, it is essential that the Secretariat submit specific proposals urgently.

10. The Advisory Committee notes from paragraph 33 of the report that there has been progress in reducing the number of ex post facto and partial ex post facto cases. As indicated in paragraph 34 of the report, some of the cases processed during 1997 related to cases initiated prior to 1996 and efforts were being made to reduce ex post facto cases to an absolute minimum. The Advisory Committee draws attention to its comments on the subject in its report of 4 December 1996 (A/51/7/Add.3 (para. 18)) that local contract committees should be given the authority where necessary to approve cases, while the role of the Headquarters Committee on Contracts should be to evaluate the appropriateness of the local committees' actions in such instances.

11. With regard to delegation of authority, the Advisory Committee notes from paragraph 28 of the Secretary-General's report that the thresholds for the delegation of procurement authority under the terms of financial rules 110.17 and 110.19 for Headquarters and for offices and missions away from Headquarters were revised and implemented effective 15 August 1996. Annex IV to the report provides further details.

12. On enquiry, the Committee was informed that delegation of authority did not necessarily reduce the workload of the procurement officers as processing of the orders had still to be undertaken, although only cases over the \$200,000 threshold were to be forwarded by the Procurement Division to the Headquarters Committee on Contracts. However, the Advisory Committee notes from paragraphs 30 and 31 of the report that there has been a significant reduction in the number and dollar value of cases submitted to the Headquarters Committee on Contracts; the reduction has been attributed in part to the revised thresholds as well as to the fact that no new large operations have been mandated, whereas several existing peacekeeping missions have been reduced in size. Under the circumstances, the Committee questions the assertion that workload has not been affected; indeed, there should have been a significant reduction in workload related to all procurement activities from all sources of funds.

13. The Advisory Committee enquired as to the decrease in the number of posts in the Professional category (29 as reflected in paragraph 8 of the Secretary-General's report under consideration as compared with 32 as reflected in the Advisory Committee's report (A/51/7/Add.3, para. 20)). The Advisory Committee was informed that the reduction was due to the transfer of three posts to the Travel and Transportation Service. The Committee notes from paragraph 8 of the report that vacancies within the Division are in the process of being filled. On enquiry, the Committee was informed that at the time of consideration of the report, there were four vacant posts in the Professional category.

14. On enquiry, the Advisory Committee was informed that the International Tribunals for the Former Yugoslavia and for Rwanda had their own Procurement Units, which had delegation of authority to procure goods and services locally. During 1996 and 1997, certain items that could not be procured by them had been obtained by the Procurement Division. The dollar value of the transactions had

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totalled \$895,073; a purchase order for vehicles for the International Criminal Tribunal for Rwanda was currently in progress, as was the Procurement Division's direct involvement in advising the Tribunal on the construction of a second courtroom, with expenditure in the range of \$1 million. The Advisory Committee was informed that, in accordance with established procedures, from time to time the Tribunals submitted their presentations to the Procurement Division for the review and advice of the Headquarters Committee on Contracts; on other occasions, the Division provided advice and guidance on matters such as the preparation of invitations to bid and/or requests for proposals, policies, procedures, and so on. The Division's service to the Tribunals for actual procurement, review and presentation of cases to the Headquarters Committee on Contracts and other guidance and advice on procurement matters had been provided within its existing resources.

15. The Advisory Committee notes the information in paragraph 8 of the report with regard to the use of gratis personnel. The Advisory Committee commented extensively on this subject in its report on procurement reform (A/51/7/Add.3, para. 20), as well as in its first report on the proposed programme budget for the biennium 1998-1999 (A/52/7 (chap. II, Part VIII)). On enquiry, the Advisory Committee was informed that the five gratis personnel in the Procurement Division were on secondment from their Governments against agreements whose expiration dates ranged from February 1998 to July 1999. The Advisory Committee trusts that the provisions of General Assembly resolution 51/243 of 15 September 1997 will be applied.

16. With regard to the reclassification of a D-1 post to the D-2 level as indicated in paragraph 10 of the Secretary-General's report, the Advisory Committee was not provided with sufficient additional information and justification to support the request. Under the circumstances and bearing in mind what is stated in paragraph 12 above, the Committee is not in a position to recommend acceptance of the reclassification. In this connection, the Committee regrets the absence of the appropriate officials to provide the explanations required by it.

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ANNEX

1. Functions and responsibilities of the Procurement Division

1. The Procurement Division is responsible for the procurement of a wide range of supplies, equipment, services, external printing services and shipping services for all Headquarters offices, peacekeeping and other field missions, regional economic commissions and international criminal tribunals. The range of commodities and services shown in annex I to the Secretary-General's report of 27 October 1997 (A/52/534) are indicative but not exhaustive. The Division is responsible for the formulation of policies and procedures pertaining to worldwide and local procurement, collecting information on market conditions in the respective mission areas and participating in needs assessment and technical survey missions to determine the availability of goods and services that can be bought locally. It evaluates supplier applications for registration in its supplier database. It reviews specifications submitted by substantive offices, prepares bid documents, evaluates proposals, recommends awards of contracts to the Headquarters Committee on Contracts, negotiates terms and conditions and prepares, executes and administers contracts. It expedites deliveries and arranges shipment of goods purchased.

2. Functions and responsibilities of the Travel and Transportation Service

2. The Travel and Transportation Service arranges and monitors the transportation, accommodation and routing of all travel undertaken at United Nations expense and the shipment of household goods and personal effects to and from locations worldwide. Major travel- and transportation-related reporting to the various United Nations bodies, including the General Assembly, is prepared and coordinated by the Service. It issues United Nations travel documents for staff of the United Nations and the specialized agencies, coordinates the issuance of host country visas, reports all personnel changes at Headquarters to the host country and makes policy recommendations on all travel and transportation issues to the Assistant Secretary-General/Office of Central Support Services. It also manages all official vehicles at Headquarters, controls the provision of office supplies to the Organization and the receipt of goods and equipment. The Service administers contracts entered into by the Procurement Division and maintains liaison with contractors for the provision of travel services and the shipment of personal effects and stationary items.

3. The establishment of the Travel and Transportation Service has assumed exactly the same functions as were previously carried out by the Transportation Section of the former Procurement and Transportation Division. The Division has overall involvement and responsibility for all Headquarters and peacekeeping procurement requirements for various departments and offices. Accordingly, the Division is fully responsible for reviewing specifications, calling for bids, making presentations to the Headquarters Committee on Contracts, negotiating terms and conditions, drafting and executing of all service contracts administered by the Travel and Transportation Service, as well as the procurement of all its equipment, supplies and service needs.
